

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-09 FRB-01 INR-07 IO-13 NEA-10 NSAE-00 USIA-15
OPIC-06 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 /096 W
-----010726Z 091860 /11

R 311038Z MAR 77
FM AMEBASSY STOCKHOLM
TO SECSTATE WASHDC 0203
INFO AMEMBASSY ATHENS
AMEMBASSY ANKARA
AMEMBASSY BELGRADE
AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY HELSINKI
AMEMBASSY LISBON
USMISSION OECD PARIS

UNCLAS STOCKHOLM 1401

E.O. 11652: N/A
TAGS: EGEN, SW, OECD
SUBJECT: OECD SECRETARY GENERAL DOES NOT CONSIDER SWEDEN'S
CURRENT ACCOUNT DEFICIT AN IMMEDIATE THREAT TO ECONOMY

REF: STOCKHOLM 1320

1. SPEAKING AT PRESS CONFERENCE IN STOCKHOLM ON MARCH 29 AT
CONCLUSION OF THREE-DAY VISIT TO SWEDEN, OECD SECRETARY
GENERAL EMILE VAN LENNEP SAID, ACCORDING TO PRESS NOTICES OF
FOLLOWING DAY, THAT SWEDEN'S DEFINITION CURRENT ACCOUNT WAS
"RATHER LARGE" AND ECONOMIC POLICY MUST BE DIRECTED TOWARD
REDUCING IT, BUT ADDED THAT HE DID NOT CONSIDER THE DEFICIT
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TO CONSTITUTE ANY SERIOUS THREAT SINCE SWEDEN WAS BASICALLY
COMPETITIVE AND IN AN INTERNATIONALLY GOOD POSITION. "I DO
NOT MEAN BY THIS," VAN LENNEP CONTINUED, "THAT THE
DEFICIT SHOULD NOT BE BROUGHT DOWN TO AN ACCEPTABLE
LEVEL. WE ARE CURRENTLY DISCUSSING WITHIN THE OECD
WHAT CAN BE CONSIDERED AN ACCEPTABLE LEVEL."

2. VAN LENNEP, WHO IN AN EARLIER INTERVIEW HAD GIVEN IMPRESSION HE THOUGHT SWEDEN'S PAYMENTS DEFICIT EXCESSIVE (SEE REFTTEL), WAS APPARENTLY MORE GUARDED IN HIS REMARKS AT PRESS CONFERENCE. "IT IS DIFFICULT TO ASSESS THE ECONOMIC SITUATION OF INDIVIDUAL COUNTRIES WITHOUT TAKING INTO ACCOUNT THE TOTAL PICTURE OF ALL THE INDUSTRIALIZED COUNTRIES," HE SAID.

3. EARLIER IN THE DAY, VAN LENNEP HAD ADDRESSED THE SWEDISH NATIONAL COMMITTEE OF THE INTERNATIONAL CHAMBER OF COMMERCE AT ITS ANNUAL LUNCH FOR THE KING. (AMONG GUESTS WERE OECD AMBASSADORS AND US DCM SUBSTITUTING FOR AMBASSADOR WHO WAS OUT OF TOWN.) VAN LENNEP'S THESIS WAS THAT THE OECD COUNTRIES MUST FOR THE MOMENT ACCEPT SLOWER REDUCTION OF UNEMPLOYMENT IN ORDER TO COME TO GRIPS WITH INFLATION. WHAT THE GOVERNMENT MUST FIRST OF ALL DO, HE SAID, IS TO RESTORE CONFIDENCE IN OUR ABILITY TO PURSUE FIRMER ECONOMIC POLICIES WITH FEWER STOP-AND-GO ARRANGEMENTS AND SUDDEN TURNABOUTS. INVESTMENT PLANS IN NEARLY ALL THE OECD COUNTRIES ARE BEING HELD UP BECAUSE WE DON'T KNOW HOW MUCH PRICES ARE GOING TO RISE BY AND IN WHAT WAY THE GOVERNMENTS CAN HELP TO STIMULATE DEMAND. VAN LENNEP EMPHASIZED THAT IT WAS INDEED OECD STRATEGY TO RETURN TO FULL EMPLOYMENT; BUT HE WARNED THAT TOO RAPID EXPANSION OF DEMAND WOULD LEAD TO STRONG INFLATIONARY PRESSURES, CAUSING GOVERNMENTS TO TAKE MEASURES THAT WERE TOO RESTRICTIVE; THEREFORE EVERYBODY HAD TO ACCEPT A SLOWER RATE FOR REDUCING UNEMPLOYMENT, IN UNCLASSIFIED

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ORDER TO MAINTAIN STEADINESS.

4. VAN LENNEP DIRECTED WARNING WORDS AGAINST PROTECTIONIST TENDENCIES. HE CITED AS EXAMPLES SWEDEN'S CEILING ON SHOE IMPORTS (NOW TO BE LIFTED AT MID-YEAR), US IMPORT RESTRICTIONS ON STEEL AND ON JAPANESE TELEVISION SETS, AND AGREEMENT BETWEEN JAPANESE AND FRENCH INDUSTRIES TO RESTRICT JAPANESE STEEL EXPORTS TO FRANCE. VAN LENNEP NOTED THAT OECD MEMBER COUNTRIES HAD NOT LIVED UP TO THEIR NON-PROTECTIONIST COMMITMENTS AND STRESSED HOW IMPORTANT IT WAS THAT THE COMMITMENTS SHOULD BE REAFFIRMED AT THE OECD MINISTERIAL COUNCIL MEETING THIS SUMMER. HE MADE PARTICULAR REFERENCE TO THE STEEL MARKET AND POINTED OUT THAT IT WAS NOT ABNORMAL FOR THE MARKET TO BE IN DIFFICULTIES SINCE IT WAS MOST SENSITIVE TO CYCLICAL CHANGES. HE WARNED AGAINST TAKING RASH STEPS TO BRING ABOUT STRUCTURAL CHANGES IN THE MARKET.
SMITH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SECRETARY GENERAL, ECONOMIC STABILITY, SPEECHES, BALANCE OF PAYMENTS DEFICITS
Control Number: n/a
Copy: SINGLE
Sent Date: 31-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STOCKH01401
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770111-0998
Format: TEL
From: STOCKHOLM
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t1977031/aaaaaapj.tel
Line Count: 116
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 188a07ac-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 STOCKHOLM 1320
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 24-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2932325
Secure: OPEN
Status: NATIVE
Subject: OECD SECRETARY GENERAL DOES NOT CONSIDER SWEDEN'S CURRENT ACCOUNT DEFICIT AN IMMEDIATE THREAT TO ECONOMY
TAGS: EGEN, ETRD, PORC, SW, OECD, (VAN LENNEP, EMILE)
To: STATE
Type: TE
vdkgvkey: odb://SAS/SAS.dbo.SAS_Docs/188a07ac-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009